

Message Text

UNCLASSIFIED

PAGE 01 BONN 14124 01 OF 03 241740Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 /110 W

----- 106899

R 241729Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1293

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 14124

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 23)

REF.: BN 13790, BONN 13946

1. FOREIGN EXCHANGE MARKET: IN WHAT BEGAN AS A HECTIC WEEK ON GERMAN FOREIGN EXCHANGE MARKETS, THE DOLLAR FELL TO A YEARLY LOWS AGAINST THE DEUTSCHEMARK ON TUESDAY, AUGUST 17 AND AGAIN ON WEDNESDAY, AUGUST 18. BUNDESBANK INTERVENTIONS IN FAVOR OF THE DOLLAR ASSISTED A COMEBACK IN A CALMER MARKET LATER IN THE

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14124 01 OF 03 241740Z

WEEK AND THIS UPWARD TREND CONTINUED INTO MONDAY,

AUGUST 23. AS OF AUGUST 23, ALL SNAKE CURRENCIES WERE APPROXIMATELY 2 PERCENT BELOW THE DM CENTRAL RATE AND THE BUNDESBANK PURCHASED BOTH DANISH CROWNS AND NORWEGIAN CROWNS DURING THIS WEEK. THE MARKET CONTINUES TO PREDICT AN EARLY REALIGNMENT IN THE SNAKE ALTHOUGH GERMAN FINANCE MINISTER APEL HAS DENIED THAT THE GOVERNMENT HAS PLANS TO CHANGE CURRENT SNAKE PARITIES (SEE BONN 13790 AND BONN 13946). DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

| | FORWARD DOLLARS | | | | |
|--------|-----------------|------------------------|---------|-----------|-------------|
| | SPOT DOLLARS | (IN PERCENT PER ANNUM) | | | |
| | FIXING | OPENING | CLOSING | ONE-MONTH | THREE-MONTH |
| AUG 17 | 2.5200 | 2.5159 | 2.5060 | -1.3 | -1.4 |
| 18 | 2.5060 | 2.5090 | 2.5090 | -1.0 | -1.3 |
| 19 | 2.5100 | 2.5138 | 2.5150 | -1.4 | -1.4 |
| 20 | 2.5150 | 2.5185 | 2.5200 | -1.8 | -1.5 |
| 23 | 2.5220 | 2.5203 | 2.5150 | -1.3 | -1.4 |
| 24 | 2.5140 | 2.5140 | N.A. | N.A. | N.A. |

2. BUNDESBANK FOREIGN POSITION: IN THE PERIOD AUGUST 8-15, THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.1 BILLION TO DM 90.0 BILLION. CLAIMS ON THE EUROPEAN MONETARY FUND DECLINED BY DM 93 MILLION AND FOREIGN EXCHANGE HOLDINGS DECLINED BY DM 351 MILLION. OFFSETTING THESE DECLINES WAS A DECREASE OF DM 487 MILLION IN BUNDESBANK LIABILITIES TO FOREIGNERS. OTHER FACTORS REDUCED BUNDESBANK RESERVES BY DM 43 MILLION.

3. BANK LIQUIDITY: IN THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 0.3 BILLION. FACTORS INDUCING THIS CHANGE WERE AN INCREASE OF DM 1.1 BILLION IN OFFICIAL ASSETS HELD AT THE BUNDESBANK, A DM 0.9 BILLION DECLINE IN CURRENCY IN CIRCULATION, AND A DM 0.4 BILLION DECLINE OF BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. OTHER FACTORS INCREASED LIQUIDITY BY DM 0.1 BILLION, NET. THE INCREASE IN LIQUIDITY WAS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 14124 01 OF 03 241740Z

APPLIED TO REDUCING BANKS' REDISCOUNT BORROWINGS BY DM 0.3 BILLION.

4. MONEY MARKET: CALL MONEY RATES CONTINUED THE DOWNWARD TREND OF THE PREVIOUS WEEK THROUGH THURSDAY, AUGUST 19, AND THEN ROSE ONCE AGAIN TO ABOVE 4 PERCENT ON MONDAY, AUGUST 23. THIS SHARP INCREASE IS ATTRIBUTED TO MISCALCULATIONS BY THE BANKS IN

ESTIMATING AUGUST RESERVE REQUIREMENTS AND OBSERVERS
BELIEVE THE RISE IS ONLY TEMPORARY. ONE-MONTH RATES
SHOWED A SIMILAR PATTERN AND THREE-MONTH RATES
REMAINED UNCHANGED. RATES DEVELOPED AS FOLLOWS DURING
THE REPORTING WEEK:

| | CALL MONEY | ONE-MONTH | THREE-MONTH |
|--------|------------|-----------|-------------|
| AUG 17 | 3.9-4.1 | 4.3 | 4.5 |
| 18 | 3.5-3.8 | 4.3 | 4.5 |

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 14124 02 OF 03 241742Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 /110 W
----- 106919

R 241729Z AUG 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1294
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY PARIS
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 14124

| | | | |
|----|---------|-----|-----|
| 19 | 3.2-3.5 | 4.2 | 4.5 |
| 20 | 3.5-3.7 | 4.2 | 4.5 |

23 4.2-4.5 4.4 4.5

5. STATE SECRETARY SCHLECHT DEFENDS UNILATERAL DECLARATION ON EXPORT CREDITS: IN RESPONSE TO A QUESTION CONCERNING THE EC COMMISSION 'S PENDING LEGAL ACTION AGAINST GERMANY, AS WELL AS FRANCE, BRITAIN AND ITALY, FOR HAVING COME TO UNILATERAL UNDERSTANDINGS ON OFFICIAL EXPORT CREDITS, STATE SECRETARY SCHLECHT OF THE GERMAN ECONOMICS MINISTRY HAS STATED THAT BONN ACTED WITHIN ITS RIGHTS AND THAT THIS UNDERSTANDING CONSTITUTES NO OFFENSE AGAINST EITHER THE EC COMMISSION OR THE LEGAL DECISION UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14124 02 OF 03 241742Z

OF THE EUROPEAN COURT WHICH RULED THAT THE COMMISSION HAS THE AUTHORITY IN THESE MATTERS. STATE SECRETARY SCHLECHT REASONED THAT THE "UNILATERAL UNDERSTANDINGS OF SELF-DISCIPLINE" DO NOT CONSTITUTE AN INTERNATIONAL AGREEMENT AS THERE IS NO LEGAL OBLIGATION INVOLVED. THIS ACTION IS MERELY A FIRST STEP TOWARDS HARMONIZING OF TERMS FOR EXPORT CREDITS FINALIZING AN INTERNATIONAL AGREEMENT ON EXPORT CREDITS, STATES SCHLECHT, PROPERLY FALLS WITHIN THE LEGISLATIVE AUTHORITY OF THE COMMISSION.

6. FEDERAL BORROWINGS: ACCORDING TO PRESS ACCOUNTS, THE CENTRAL CAPITAL MARKET COMMITTEE BEGAN DISCUSSIONS ON AUGUST 19 CONCERNING A NEW DM 800 MILLION FEDERAL BOND ISSUE AND A SMALLER LOAN FOR THE FEDERAL RAILROAD. CONDITIONS AND FINAL AMOUNTS ARE STILL UNDER DISCUSSION BUT IT IS EXPECTED THAT ISSUE DATES WILL BE ON THE LAST DAYS OF AUGUST OR EARLY SEPTEMBER.

7. BOND MARKET: PRICES ON THE MARKET FOR DOMESTIC BONDS REMAINED RELATIVELY STABLE DURING THE WEEK UNDER REVIEW. CONCERNING FOREIGN DM LOANS, BANCO DE OBRAS OF MEXICO WILL SELL DM 100 MILLION OF BONDS ON GERMAN CAPITAL MARKETS THROUGH A CONSORTIA HEADED BY DRESDNER BANK; INTEREST RATE 9 PERCENT, MATURITY 5 YEARS, ISSUE PRICE DETERMINED BY THE MARKET. THE KINGDOM OF DENMARK HAS ISSUED DM 100 MILLION OF BONDS; COUPON 8 PERCENT, MATURITY 6 YEARS, ISSUE PRICE 100.5, EFFECTIVE RATE 7.89. IN ADDITION, A SUB-COMMITTEE OF THE CENTRAL CAPITAL MARKET COMMITTEE ANNOUNCED ON MONDAY, AUGUST 23, THAT DM 600 MILLION IN FOREIGN DM BONDS WILL BE PERMITTED OVER THE NEXT SEVERAL WEEKS, BORROWERS NOT YET SPECIFIED.

8. ECONOMIC INDICATORS: ACCORDING TO THE NATIONAL ASSOCIATION OF THE GERMAN ELECTRICAL ENGINEERING

INDUSTRY, NEW ORDERS BOOKED BY THAT INDUSTRY DURING THE
FIRST HALF OF THE YEAR EXCEEDED COMPARABLE 1975 LEVELS
ONLY MODESTLY, I.E., BY 4 PERCENT NOMINALLY AND BY
1.8 PERCENT REAL. THE ASSOCIATION NOTES CONTINUED
UNCERTAINTY AMONG ITS MEMBERS REGARDING THE FUTURE
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 14124 02 OF 03 241742Z

COURSE OF BUSINESS, POINTING OUT THAT THERE HAS BEEN
NO EVIDENCE OF A LASTING PICK-UP OF DEMAND FOR
ELECTRICAL MACHINERY AND EQUIPMENT AND THAT THE DEVELOP-
MENT OF DEMAND FOR ELECTRICAL HOUSEHOLD APPLIANCES SO
FAR HAS FAILED TO BEAR OUT EARLIER HOPES FOR INCREASED
CONSUMPTION PROPENSITIES.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 14124 03 OF 03 241743Z

44

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 /110 W

----- 106928

R 241729Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1295

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS
AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 14124

MAY JUNE JULY

IMPORT PRICES

| | | | |
|---|-------|-------|-------|
| (1970 EQUALS 100) | 152.0 | 153.2 | 154.3 |
| (PERCENTAGE CHANGE FROM COMPARABLE 1975 LEVELS) | 9.2 | 10.7 | 10.3 |

EXPORT PRICES

| | | | |
|---|-------|-------|-------|
| (1970 EQUALS 100) | 142.0 | 142.4 | 142.8 |
| (PERCENTAGE CHANGE FROM COMPARABLE UNCLASSIFIED | | | |

UNCLASSIFIED

PAGE 02 BONN 14124 03 OF 03 241743Z

| | | | |
|--------------|-----|-----|-----|
| 1975 LEVELS) | 4.3 | 4.7 | 4.9 |
|--------------|-----|-----|-----|

WHOLESALE PRICES

| | | | |
|---|-------|-------|-------|
| (1962 EQUALS 100) | 161.4 | 161.4 | 161.4 |
| (PERCENTAGE CHANGE FROM COMPARABLE 1975 LEVELS) | 6.3 | 5.8 | 6.0 |

BUILDING PERMITS FOR

HOUSING UNITS

| | | | |
|---|--------|--------|---|
| TOTAL | 36,037 | 36,086 | - |
| (PERCENTAGE CHANGE FROM COMPARABLE 1975 LEVELS) | 23.4 | 7.4 | - |

HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, FINANCIAL MARKETS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN14124
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760323-0506
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760827/aaaaawoy.tel
Line Count: 315
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 BONN 13946
Review Action: RELEASED, APPROVED
Review Authority: cahillha
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by ReddocGW>; APPROVED <28 JAN 2005 by cahillha>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 23)
TAGS: EFIN, GE
To: STATE
TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006